

THE INTERNATIONAL COMMISSION
ON HOLOCAUST ERA INSURANCE CLAIMS

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www.ICHEIC.org

November 6, 2001

The Honorable Dan Burton
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Henry Waxman
U.S. House of Representatives
Washington, D.C. 20515

Gentlemen,

I have your letter of October 12 informing me of your Committee's oversight investigation of the implementation of the agreements reached by the United States Government with the Federal Republic of Germany and Austria concerning Holocaust restitution. I also have your letter of October 26 inviting me to appear at the November 8 hearing of the Committee. I accept that invitation. I believe members of your staffs and officers of ICHEIC are already in contact on the details.

Your Committee has requested information from this office because "...the Committee is focusing on the efforts of the International Commission on Holocaust Era Insurance Claims (ICHEIC), which was designated by the agreements to resolve outstanding Holocaust-era claims."

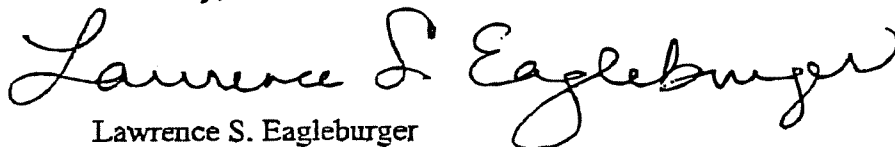
Several points of potential misunderstanding need to be cleared up before I proceed further. First, it is true that the "agreements" pointed to ICHEIC as the instrument with which the German Foundation should negotiate, looking toward an agreement on how to deal with Holocaust-era insurance claims against German insurance companies, using ICHEIC standards, etc. But you need to know that ICHEIC was essentially presented with a *fait accompli* – both with regard to its relationship to the Foundation and with regard to the issue of reimbursement to the German insurance companies for their earlier ICHEIC-related expenditures. Negotiations with the Foundation are underway, but nothing is, as yet, agreed (the issue of reimbursement will be particularly difficult). If the German Foundation and ICHEIC cannot reach compromises on the important issues still unresolved between us (lists, audits, appeals, etc.), there will be no agreement, and thus no role for ICHEIC.

You should also know that ICHEIC has a very limited role in implementing the U.S.-Austrian agreement. Under Austrian law ICHEIC's standards and guidelines will be used in evaluating Austrian insurance claims, but those claims will be processed by the Austrian Claims Committee without ICHEIC involvement. ICHEIC will, however, forward to the Austrian Claims Committee any claims we have received that properly belong to the Committee.

Thus, while I understand the Committee's interest in monitoring the implementation of agreements to which the United States Government is a party, two points need to be kept in mind: 1) ICHEIC is not a party to those agreements; neither the Government of the Federal Republic of Germany, nor the United States Government can speak for ICHEIC; 2) ICHEIC has a history of several years standing of dealing with Holocaust-era insurance issues under the Memorandum of Understanding creating the ICHEIC (August 25, 1998). This was some time before the idea of a US-FRG agreement was even a gleam in anyone's eye. It is a history I am prepared to share, so long as it is relevant and does not impose an unreasonable burden on a small and already over-worked ICHEIC staff.

I hope, sirs, that what follows will provide the Committee with the information it needs to meet its oversight obligations.

Sincerely,

A handwritten signature in cursive script, reading "Lawrence S. Eagleburger". The signature is written in dark ink and is positioned above the printed name.

Lawrence S. Eagleburger

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GENERAL BACKGROUND

ICHEIC was established pursuant to a Memorandum of Understanding (the MOU) dated August 25, 1998, executed by several European insurance companies (the Member Companies)¹, certain non-government Jewish organizations, the State of Israel, and certain U.S. state insurance regulators². The MOU defines ICHEIC's mission as being to "expeditiously address the issue of unpaid insurance policies issued to victims of the Holocaust."

In accordance with the MOU, ICHEIC has established a claims and valuation process - which is free of charge to the claimant - to settle and pay individual claims.

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- ¹ Assicurazioni Generali S. p. A (Generali), organized pursuant to the laws of Italy;
 - Allianz Lebensversicherungs—AG (Allianz), organized pursuant to the laws of Germany;
 - AXA, (AXA), organized pursuant to the laws of France;
 - Zurich Insurance Company (Zurich), organized pursuant to the laws of Switzerland; and
 - Winterthur, also organized pursuant to the laws of Switzerland.

The Swiss company, Basler Lebens-Versicherungs-Gesellschaft, was also a signatory to the MOU, but withdrew from the ICHEIC in January 1999.

² The Association of Insurers in the Netherlands (representing all Dutch insurers) signed the MOU in May 2000.

Additionally, the MOU mandates ICHEIC to establish and administer a Special Fund consisting of two sections. One such fund, described in Section 8A of the MOU, is dedicated for claims on policies that (1) cannot be attributed to a particular insurance company, or relate to policies of companies no longer in existence, or (2) cover payments on policies of member companies that were either nationalized or paid, under Nazi-sponsored law, to a governmental authority that was not the named beneficiary of the policy.

The second Humanitarian Fund, described in Section 8B of the MOU, is for more general humanitarian purposes and is to be used for the benefit of needy victims of the Holocaust or for other Holocaust-related humanitarian purposes.

ICHEIC is a privately funded non-profit entity organized as an association under the Swiss Civil Code (*verein*). Prior to its formation, there were very few avenues by which victims of the Holocaust or their heirs or beneficiaries could pursue a claim against an insurance company other than costly litigation, mainly available in U.S. courts and which can only be effective in the rare cases where the court has jurisdiction over the company that issued the policy in issue. ICHEIC is offering an alternative to those thousands of potential claimants (throughout the world) to seek information and compensation, where appropriate, for life, education and dowry insurance claims from the Holocaust era. ICHEIC is doing this at absolutely no cost to any claimant.

Initially it must be noted that ICHEIC's task is enormous. Many records from the time period are no longer available. Potential claimants have few documents or even information with which to start the process. Companies that were active in the period have also lost records, either through the events of the war or through the normal course of business. Also Holocaust-era companies have been merged with other companies or sold. Tracing numerous small Holocaust-era companies to

determine current ownership has been complex. Archives from that period are often incomplete or not accessible. Records that are available are usually in paper form and not easily searched without first creating a database. Even searching records that are now on a database has proven difficult and time consuming due to the changes and variations in spelling that are the natural result of mass migrations.

The ICHEIC process also needed to account for policies issued in 18 countries, written in as many languages, and payable in 21 currencies. We have received claims which name over 150 different companies in Germany, Austria and Eastern Europe. Several of the countries where the companies are or were located have been through numerous governments, some of which nationalized the companies and their assets. Some of the currencies no longer exist. Determining equitable standards of valuations for policies issued in those currencies and countries was complicated and the subject of much research and negotiation.

Finally, the nature of the Holocaust required the utmost care and respect in developing claim procedures and forms, as well as outreach for survivors. ICHEIC provides 24-hour worldwide toll-free telephone service answered by operators (not machines) available in over 15 languages. Potential claimants can also send in a coupon clipped from a newspaper ad, download a claim form, or even stop by their local community center or synagogue either to obtain the claim form or for help in filing the form. The focus of ICHEIC is to ensure that as many potential claimants as possible are aware of the program and informed as to the procedures. Even if a person has no concrete information but believes that his or her family would have been likely to have had some sort of insurance policy, he or she is encouraged to file a claim form.

This philosophy has resulted in the distribution of 102,494 claims packs and the filing of 77,722 claim forms to date. Very few of the claims are supported with

hard documents, many rely on anecdotal evidence – more in the nature of inquiries - and some provide almost no information at all. Each claim is treated in a manner guaranteed to provide the widest distribution for investigation to determine whether or not a valid claim exists. (The cost, as of September 1, 2001, to administer and process these claims has been approximately \$16,320,600.) More detailed information on each stage of the ICHEIC process is provided below.

THE CLAIMS PROCESS

ICHEIC's claims process was designed both to attract as many potential claimants as possible and to ensure that claims are fairly evaluated and resolved.

The fundamental components of this process are as follows:

- a global advertising and outreach program designed to make potential claimants aware of what ICHEIC is, describe how claims can be filed with ICHEIC, and provide assistance in filing claims where required;
- cost-free telephone lines, through which claimants can request claims forms with explanatory information and, once a claim is filed, obtain status reports;
- claims are registered with ICHEIC, through its "claims handling" agent (based in Gloucester, England), which determines what company or companies should get the claims form, translates as required, and distributes the claims to the appropriate insurance companies, which, in turn, make an initial decision based on relaxed standards promulgated by ICHEIC;
- the claims-handling and investigation systems established by the MOU companies are examined by independent auditors to ensure compliance with ICHEIC-promulgated standards;
- those who file claims against a named MOU insurer have the right to appeal the company's decision to an independent arbitrator or panel of arbitrators.

THE OUTREACH PROGRAM

In February 2000, ICHEIC launched a worldwide claims process, through global advertising and outreach, whereby it invited Holocaust victims, their survivors, heirs or beneficiaries to submit claims to ICHEIC.

The outreach program had three main components. First was the effort to contact Jewish organizations around the world that could assist ICHEIC in making sure that their constituents were well informed about the claims process, instructed on how to contact ICHEIC, and provided assistance with claims forms where necessary. Second, the earned media component concentrated on the launch itself and immediate follow-up with news articles and answers to queries. Press conferences were held in Washington, DC; Budapest, Hungary; Tel Aviv, Israel; Buenos Aires, Argentina; and Sao Paulo, Brazil. These conferences were enhanced with widespread press notices and press briefings. Additionally, a phased advertising campaign followed the launch, pursuant to which advertisements appeared 1,000 times in mainstream and Jewish publications, promoting the ICHEIC process in 32 countries. Importantly, these outreach efforts were supplemented with extensive television and radio advertising in Israel.

SUPPORT FOR CLAIMANTS

ICHEIC has retained D.F. King, of New York City, to operate a call center on its behalf. Through the center, ICHEIC provides 24-hour free telephone lines, with operators conversant in numerous languages, so that claimants can request a Claim Form and Claims Information Pack. These materials are available in nine languages. After a claim has been filed, the Call Center is available to provide status information. As of October 12, 2001, the call center had received 201,429 calls and distributed 102,494 claims packs.

ICHEIC's website (www.icheic.org), which is available in 23 languages, has received over 144,500 "hits" since the February 2000 claims launch. Approximately 17,500 claim forms have been downloaded from ICHEIC's website.

ICHEIC has published on its website lists of names of known policyholders, believed to have been Holocaust victims, who may have unpaid policies with specific companies. These lists combine names submitted by the five MOU insurers (and their subsidiaries) and names of policyholders collected by ICHEIC researchers from external governmental archives (such as asset declarations by Jewish families). ICHEIC has spent over \$1.5 million on this research. The website presently contains over 50,500 names, representing over 70,000 policies.³

The first lists contained the names associated with 9,000 dormant policies issued by ICHEIC insurance companies. An additional 9,500 names were obtained from the archives of state institutions, principally 1938 asset declarations of Austrian Jews (which included insurance) presently archived in Vienna.

We expect the listings on the website to increase as further policies are identified by member companies, and as our extensive archive research effort continues in Germany, the Czech Republic and Poland.

ICHEIC has also contracted with Yad Vashem, which has a database of over 3 million names of Holocaust victims. Lists of policies in effect during the Holocaust period provided by the companies are checked with Yad Vashem's database to see if there are any "matches" with the Holocaust victims, or if any of the names are likely to be of Holocaust victims.

³ It should be noted that these names of potentially unpaid policies have not been screened to see whether these policies have been paid or compensated by a restitution authority. Such a screening will occur when a claim is filed.

THE CLAIMS EVALUATION PROCEDURE

Claims which identify an ICHEIC company are forwarded to that company for research and investigation. If the claim does not identify the issuer of the policy, it will be circulated to those ICHEIC companies that operated in the relevant insurance market.⁴ The companies are obligated to check the claim against their own databases. Additionally, claims are checked against ICHEIC's own research database, and any matching information is sent to the appropriate company.

ICHEIC companies investigate the claims, applying relaxed standards of proof, which are to be liberally construed in favor of the claimants. To ensure that ICHEIC procedures and standards are being honored, each company's procedures are audited by independent auditors. The independent auditors' reports are then reviewed by peer review auditors appointed by ICHEIC.

Eastgate notifies a claimant that it has received the claim within 48 hours of its arrival. Eastgate arranges for claims to be translated unless they are in the language of the named company or English and/or requests further information or documentation from the claimant. It is ICHEIC's objective that member companies reach a decision on a claim within 90 days after they have received the claim and supporting documentation. When this target cannot be achieved (because of the need for further research), a status report is sent to the claimant.⁵

The initial burden (a relaxed one) rests with the claimant to establish the existence of a policy. Once so established, the burden shifts to the member company, to

⁴ Currently, ICHEIC companies include about 33% of the Holocaust-era market.

⁵ As later discussed, procedures for handling claims on non-ICHEIC German companies are the subject of ongoing negotiations with the German authorities, pursuant to the U.S.-German Executive Agreement.

demonstrate (also to a relaxed standard) that the insurance policy was cancelled before the insured event occurred (for reasons not associated with the Holocaust), that a person other than the claimant is entitled to payment, or that the proceeds of the policy were paid, compensated, or otherwise restituted.

Any offer made by a company is to be in accordance with agreed valuation formulae set out in the ICHEIC Valuation Guidelines. If the claim is declined, the claimant will be notified accordingly. The company decision completes the first part of the ICHEIC decision-making process.

It is important to note that the MOU companies have agreed to pay claims emanating from Central and Eastern Europe, even though their businesses were nationalized after World War II by Communist regimes; it is understood that payments on such claims are considered to be of a "humanitarian" nature.

If claimants identify a company that no longer exists, or if a policy cannot be attributed to any particular company, ICHEIC may provide relief under Section 8A1 of the MOU, which calls for a special humanitarian fund for that purpose. Ground rules and procedures for the operation of the Section 8A1 Fund are still under discussion.

APPEALS

Following receipt of a member company's final decision,⁶ the claimant has 120 days to lodge an appeal, together with a statement of the grounds of appeal. The claimant may also submit any new information not submitted with his/her original claim form.

⁶ A company may issue a "final" decision only after its compliance with ICHEIC standards is certified by the audit.

The ICHEIC Appeals Tribunal is constituted as an independent group of arbitrators under the supervision of the President and Vice President of the Tribunal. ICHEIC has selected 30 arbitrators to serve on the Tribunal. The Arbitrators are from a variety of backgrounds from the U.S. and Canada, South America, Israel, and Europe. The President of the ICHEIC Appeals Tribunal is the Honorable Abraham J Gafni, a former Judge in the Philadelphia Court of Common Pleas and Court Administrator appointed by the Supreme Court of Pennsylvania. The Vice-President is Sir Anthony Evans, a former U.K. Appeals Court Judge and current President of the Chartered Institute of Arbitrators in London.

Arbitrators are required to apply relaxed Standards of Proof and ICHEIC's Valuation Guidelines and other claims-handling guidelines. Rules of Procedure, drafted by the Honorable William Webster, have been established and will govern the appeals system.⁷

RESULTS OF THE CLAIMS PROCESS TO DATE

As of October 19, 2001, the ICHEIC front-end claims processor (Eastgate) had received over 77,800 claims. Of those processed, approximately 12% identified companies participating in ICHEIC; approximately 7% involved non-ICHEIC companies; and approximately 81% did not name an insurance company. Over 26,000 of the claims received (more than 1/3) have been found not to be eligible for

⁷ Pursuant to the settlement with Generali, claims against that company are being processed by an independent trust in Jerusalem which applies ICHEIC valuation guidelines. In addition, the trust has established – under the supervision of a retired President of the Israeli Supreme Court – a system of appeals which is consistent with the ICHEIC appeals procedures.

While at this date no agreement has been reached for the German non-MOU companies, it is anticipated that any such agreement will make provision for an appeals system which will also be consistent with the ICHEIC appeals process.

investigation by the ICHEIC at all and the claimants have been so informed. Most of these claims forms either relate to Holocaust issues other than insurance (e.g., slave labor, bank deposits) or relate to ex-FSU countries in which private insurance did not exist after the Bolshevik Revolution of October 1917 and in which in any case none of the five MOU companies ever operated.

The following information relates specifically to the member Companies:⁸

- Allianz has been sent approximately 15,000 claims (8.8% naming Allianz), about 8,000 of which have been decided and 4 offers made.
- RAS has been sent over 25,000 claims (7.5% naming RAS), about 12,000 of which have been decided and 183 offers made.
- AXA has been sent approximately 16,000 claims (1.4% naming AXA), about 9,000 of which have been decided and 13 offers made.
- Generali has been sent over 40,000 claims (11.3% naming Generali), about 19,000 of which have been decided and 548 offers made.
- Winterthur has been sent about 6,500 claims (0.8% naming Winterthur), 5,000 of which have been decided and 0 offers made.
- Zurich has been sent about 9,000 claims (1.1% naming Zurich), with about 5,000 decided and 10 offers made.

These results, while disappointing in comparison with some estimates made at the time the ICHEIC was established, should be evaluated in a wider historical context and in the light of the characteristics of the claims forms so far received. As noted above, around 80% of the claims forms received so far do not name a specific

⁸ The number of claims sent to each company reflects the fact that many claims that did not name a specific insurance company were sent to more than one company to evaluate.

insurance company. Most of these unnamed company claims contain no substantive or even anecdotal evidence of the existence of a policy. They are in effect inquiries, not claims. These claimants will therefore only be successful if a match can be made between the details they give of the possible policyholder and either the ICHEIC's research database or whatever policyholder databases are held by the relevant MOU companies. The results so far show that 99% of unnamed company claims are rejected by MOU companies because they can find no match with their surviving records.⁹ This is not surprising, given the large gaps in many MOU companies' records, particularly in relation to Eastern Europe, and the fact that MOU companies' market shares in 1938 totaled 40% in Germany and substantially lower than this in Eastern European countries. It is also relevant that insurance markets were relatively small in Eastern Europe in the 1930s; for example in Poland in 1938 there were only about 270,000 life insurance policies in force for a population of some 30 million.

Moreover, many "named company" claims also contain little or no evidence that a policy existed. Often these claimants offer nothing other than a belief that a member of their family took out a policy with the company named. Again therefore the success of the claim depends upon whether a match can be made with the company's database or with the ICHEIC research database.

The vast majority of the claimants are from Israel (42.7%) and the United States (25.4%). Numerous claims have also been received from the Former Soviet Union, Poland, Germany, Hungary and the Czech Republic.

⁹ However ICHEIC is in the process of implementing an electronic name matching program which will allow the companies to check variants of the spellings of policyholder names. It is quite possible that this may result in reversing previous searches in which no records were found.

To date, over \$21.9 million has been offered to claimants as a result of ICHEIC's work and on the basis of ICHEIC standards and guidelines. This includes claims submitted to ICHEIC on both member and non-member companies and claims filed directly with MOU companies or through the Generali Fund in Jerusalem.

ICHEIC EXPENDITURES

I am aware that ICHEIC has been criticized in some quarters for spending too much on administering this process. I note as well that you have requested information about ICHEIC expenditures.

Before providing more details on costs and expenses, and to put matters in proper perspective, it is important to understand that, from the start, the insurance companies insisted on two conditions that would have a dramatic impact on our administrative costs: (1) that the claims process be handled outside of the United States; and (2) that ICHEIC operate on the basis of "consensus."

Fearing that documents held in the U.S. might be subject to discovery and disclosure in our courts, the companies insisted that as little as possible of the ICHEIC process be handled in the U.S. London was the natural choice of venue, as it had been the site of ICHEIC meetings before I was selected as Chairman.

Efforts to try to establish procedures and make decisions on the basis of consensus proved to be costly, as they led to the creation of several working groups (audit, claims handling, appeals, outreach, public access, valuation, executive oversight), which attempted to come up with "consensus" recommendations. This required numerous and costly meetings, which took place mostly in London and other European cities. It also took time and added significantly to our costs.

Moreover, the "consensus" approach made it necessary to hold full ICHEIC meetings on a regular basis (almost monthly), in order to review and act on the recommendations of the working groups.

There is no doubt that, had there been no insistence on consensus (as well as a "non-U.S." claims handling process), we would have saved time and money. But we had to work within the constraints that had been established at the beginning of the ICHEIC process.

ICHEIC has spent approximately \$40 million thus far. A significant portion of that (over \$10 million) was a one-time expense establishing and implementing the worldwide outreach program described earlier.

After the outreach expenses, our largest expenditures are for: (1) the call center, D.F. King, which - through a staff fluent in many languages - has handled over 201,400 calls from all over the world; and (2) Eastgate, located outside of London, which collects, processes, translates and distributes claims submitted to ICHEIC.

It should be noted that a sizeable portion of our claims processing expenditure is attributable to the cost of translating claims forms and documents. Indeed, nearly 30% of our Eastgate costs are translation related. These costs have been borne by ICHEIC, since the companies strongly resisted any suggestion that each company undertake translations on their own. As stated previously, the costs of claims handling as of October 2001 have been approximately \$16,320,600.

As procedures have been established, and as I have made decisions on open issues (several of which are actively resented by the companies and have led to funding difficulties), we have greatly reduced the working group and full ICHEIC meetings. There have been only two full ICHEIC meetings in 2001, both of which were held

here in Washington, DC. We have also established a financial oversight committee – in which the companies, Jewish representatives, and regulators participate – to develop as tight a budget as possible, without jeopardizing our mission.

There have been 16 full ICHEIC meetings since November 1998: 7 held in London; 7 in Washington; 1 in Jerusalem; and 1 in Rome. Portions of the last few meetings were devoted to discussions and negotiations about the relationship between ICHEIC and the German Foundation. Some meetings were indeed heavily attended, as some Commission members brought staff, lawyers and advisors. ICHEIC did not cover the expenses for all participants – far from it. Our policy was to reimburse ICHEIC members, as well as their alternates and observers. The company representatives have never sought reimbursement. Frankly, this policy was designed to ensure that the Jewish side – which could not match the resources of the companies – and some of the U.S. regulators without Holocaust budgets would not be disadvantaged.

Under the MOU, the costs of administering ICHEIC are to be borne exclusively by the companies. At the November 1998 meeting at which I was selected as Chairman, the six MOU companies agreed to contribute \$90 million to ICHEIC as a gesture of good faith. By mid-1999, \$30 million had been contributed - \$5 million from each of the six companies. No other monies have been received to honor the \$90 million commitment. I have been advised that the remaining \$60 million has been withheld as a “form of punishment” for some decisions I have made with which the companies disagree.

Generali reached a \$100 million global settlement with ICHEIC and the Jewish and Israeli representatives. Under the terms of that agreement, interest – and only interest – from that settlement can be used for Generali’s portion of ICHEIC expenses. To date, the Generali settlement has produced approximately \$6.5

million of interest to cover some of ICHEIC's expenses. Such funds – plus \$7.5 million contributed by the Dutch Insurance Association – which represents all Dutch insurers – have been the exclusive source of ICHEIC funding since August 3, 2000.

Thus with the exception of interest on the Generali settlement, no MOU company has contributed to ICHEIC's expenses since August, 2000, and the companies have made it no secret that they intend to make no further contributions to cover ICHEIC expenses.

THE GERMAN FOUNDATION INITIATIVE

On July 17, 2000, the U.S. Government and the Government of the Federal Republic of Germany (FRG) entered into an agreement (the Executive Agreement) establishing the Remembrance, Responsibility and Future Foundation. The Executive Agreement provides (*inter alia*) that ICHEIC shall be the means for settling insurance claims against German companies. Specifically, it states:

“The Federal Republic of Germany agrees that insurance claims that come within the scope of the current claims-handling procedures adopted by the ICHEIC and are made against German insurance companies shall be processed by the companies and the German Insurance Association on the basis of such procedures and on the basis of additional claims-handling procedures that may be agreed among the Foundation, the ICHEIC, and the German Insurance Association.”

“A Law on the Creation of a Foundation—Remembrance, Responsibility and Future” (the Foundation Law) was passed by the German *Bundestag* on July 13, 2000, and took effect August 12, 2000. The underlying objective of the

Foundation Law is to establish a fund for the settlement of Holocaust-era claims, including insurance claims. In return, German companies, including insurance companies, expect "legal closure" in the United States.

The Foundation Law provides for the following allocation to the ICHEIC by the German Foundation:

"150 million Deutschmarks for the ICHEIC to compensate unpaid or revoked and not otherwise compensated insurance policies of German insurance enterprises, including the costs incurred in this connection.

If additional interest is earned from the monies made available to the Foundation except for the monies intended for the Future Fund, up to 50 million Deutschmarks of this shall be made available to the ICHEIC to compensate insurance losses [defined in the same terms as the preceding provision], for foreign subsidiaries of German insurance enterprises and for costs incurred in this connection, as soon as the monies are available. [The monies referred to in these two sections] may also be used for the other purposes in each case]

350 million Deutschmarks for the humanitarian fund of the ICHEIC.

100 million Deutschmarks may be made available [from the monies set aside for the Remembrance and Future Fund] for other than its intended purpose, if well founded requests are filed based on insurance claims that could not be met under [the preceding provisions]"

Prior to the passage of the Foundation Law, two German insurance companies with potentially significant Holocaust-era exposure (Gerling and Munich Re) had been invited to join ICHEIC; neither accepted. Additionally, ICHEIC has invited the

German Insurance Association (GDV), representing all of the German insurance industry, to sign the MOU and become a participating member of ICHEIC. The GDV has said it is not prepared to join the ICHEIC.

Although there remain several issues under intensive discussion between ICHEIC and the German Foundation, at this point very slow but somewhat encouraging progress is being made on appeals, audit, claims handling procedures and the publication of lists.

A major sticking point, however, remains the question of reimbursements to insurers for costs incurred in connection with the compensation of claims. In a nutshell, the problems center upon the determination of how much (if any) of monies previously paid by MOU companies to ICHEIC to cover expenses are to be reimbursed. There is a large gap to be bridged; the companies apparently intend to deduct a sizeable amount of past expenditures from their contribution to the claims fund; the Jewish groups and regulators recognize that some future ICHEIC expenses are to come out of the claims fund, but are adamant that no prior payments to ICHEIC be deducted. I cannot predict how this will ultimately be resolved.

The negotiations with the German authorities are intense and ongoing; indeed a meeting is scheduled for November 7th in London. ICHEIC has been and continues to be ready, willing and eager to reach an acceptable agreement which will enable us to process and pay claims against non-MOU German companies.